

## WTO: IMPACT ON FOOD SECURITY IN INDIA

Suresha K P

India could take a leadership role in designing new trade disciplines in the WTO that takes advantage of imports and new market access opportunities for its agriculture sector in the developed world to increase its food security and the welfare of its farmers. Removing the need to defend its agriculture subsidies from WTO disciplines could also create space for India to take advantage of 21<sup>st</sup> century economic opportunities arising from international trade in areas such as services and information technology, where the future of India's economy.

India has seen an impressive economic growth in the recent years. But the country still struggles with widespread poverty and hunger. India's poor population amounts to more than 300 million people, with almost 30 per cent of India's rural population living in poverty. The good news is that poverty has been on the decline in recent years. According to official Government of India estimates, poverty has declined from 37.2 per cent in 2004-05 to 29.8 per cent in 2009-10. Rural poverty declined by 8 percentage points from 41.8 per cent to 33.8 per cent and urban poverty by 4.8 percentage points from 25.7 per cent to 21.9 per cent over the same period (World Bank 2015).

India is home to 25 per cent of the world's hungry population. An estimated 43 per cent of children under the age of five years are malnourished (WFP 2015). India remains an important global agricultural player, despite the fact that agriculture's share in the country's economy is declining. It has the world's largest area under cultivation for wheat, rice, and cotton, and is the world's largest producer of milk, pulses, and spices (World Bank 2015). Nearly three-quarters of India's households are dependent on rural incomes. Agricultural productivity in the country's semi-arid tropical region is impeded by water shortages and recurrent drought, while environmental degradation and vulnerability to weather-related disasters pose challenges to the country as a whole.

India's agriculture policies aimed at improving its food security have received increased scrutiny following the December 2014 World Trade Organization (WTO) Ministerial meeting, where India's position on this issue almost doomed the entire talks. In fact, growing use of agriculture subsidies by India and other developing countries like China are changing the dynamics of the WTO negotiations for new agriculture subsidies commitments, where the focus had previously been on developed country subsidies. India's agriculture subsidies are also very costly and are coming at the expense of addressing other pressing development needs. It has also led India to adopt a defensive stance in the WTO Doha Round, focused on protecting these subsidies. As a result, India has missed the opportunity to shape the international trading system in ways that can strengthen food security in India. **The Prime Minister** provides a key opportunity for India to rationalize its agriculture



subsidies and to shift its focus in the WTO negotiations away from protecting its farmers to realizing the benefits for food security from imports and the opportunities for its agriculture sector from reducing barriers to agriculture exports in developed markets.

### **Agricultural Issues on Food Security:**

The key challenges that India faces in ensuring food security are that of a long – standing demand of civil society groups for a comprehensive legislative framework for ensuring food security in the form of a National Food Security Act (NFSA).

Second, food price inflation has been a cause of concern as it does not match by a commensurate increase in incomes for wage-earning net purchasers of food. Domestically too, food price inflation has posed difficulties for policy-makers.

Third, a renewed focus on corruption, leakages and inefficiencies in the implementation of food-related schemes has encouraged academic economists for a shift towards a system of cash transfers, the dominant view calling for a replacement of the Public Distribution System (PDS) as the challenges are threefold.

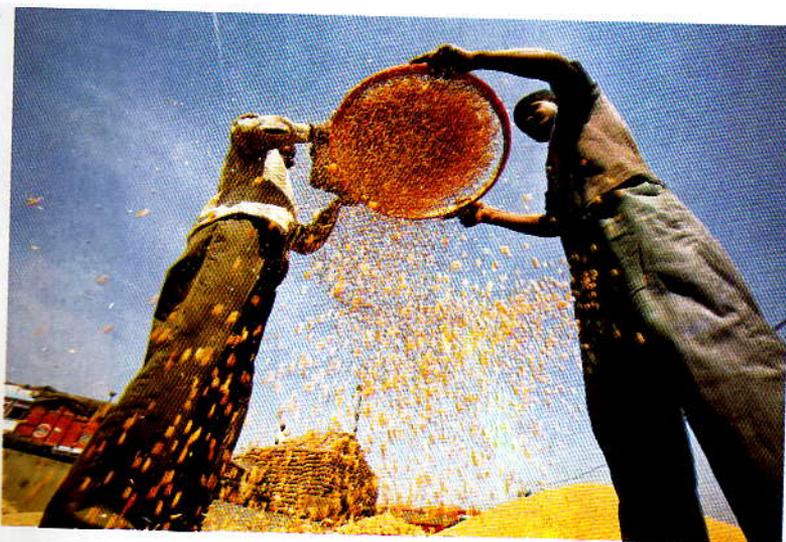
The first challenge is the problem of food distribution, which pertains to identifying the best way(s) to ensure food access in an equitable way.

The second can be characterized as an international challenge that will require India to defend its NFSA and its food trade policies to the international trade community, in the wake of the Ninth Ministerial Meeting of the World Trade Organization (WTO) at Bali, even as it maintains its food sovereignty.

These urgent issues present a third larger and persistent challenge of sustainable nutritional security, ensuring that Indian agriculture can provide and support in sustainable ways, diets that are both adequate in quantity and quality. This involves an effort that goes well beyond the food grains.

### **Challenges of Food Security in India:**

The National Food Security Mission has



played a key role in augmenting production in cereals and pulses. Much of this has come from yield increases in the eastern regions in the country where the Green Revolution did not take place. At the same time, there has also been a strong and continuing trend for diversification into non-cereal and high-value commodities such as dairy, fruits and vegetables, which are higher quality diets. Investments in the agricultural sector have been especially strong after 2014-15, both public and private, with private gross capital formation accounting for an increasing share of all investment.

Despite the huge increase in production, access to food continues to be a serious issue especially in the context of extraordinarily high-inflation rates in food commodities in recent years and limited access in large parts of the country to high-quality diets. The imperative that the challenge of food security derives, from recent evidence from India and elsewhere suggests that, the income growth might not always translate fully or quickly enough to improvements in the health nutritional status of children, implying that this issue needs attention. This weak link between income growth and nutritional outcomes implied that food security in the sense defined earlier would require special attention of policy-makers and cannot be presumed to follow as a consequence of growth. This is quite apart from a parallel discourse that argues for a rights-based approach to food security so that primary responsibility rests with the state. In general,

there is broad agreement on the imperative of food security in India, but deep disagreements on how to achieve this.

Article 20 of the AoA commits countries to work towards the objective of substantial progressive reductions in support and protection in agriculture. That Article contains a commitment for the continuation of the reform process in agriculture to be initiated in 1999, taking into account trade and non-trade concerns related to the implementation of commitments under the AoA. The definition of "non-trade concerns" given in the preamble to the AoA includes food security and the need to protect the environment. No further details are provided e.g. about the definition of these terms or how these concerns are to be addressed. This subject is being increasingly debated in the context of international trade in different forum, where other concerns, inter alia, the viability of rural communities and ways of life have also been added. These attributes of agriculture are claimed to be positive externalities and public goods, jointly produced with food and fiber, and hence the argument that agriculture deserves more support and protection as additional payments to these services.

While these other functions of agriculture are clearly all desirable, for the majority of developing countries, food security is the fundamental function of agriculture. It is important to note that developing countries can pursue their food security goals within the scope of the AoA and without recourse to the broader concept of malt functionality. In this context, it is necessary to identify those provisions of the AoA that may require strengthening in the continuation of the reform process in the sense of allowing more flexibility to developing countries to pursue food security policies.

#### **WTO Role:**

The Uruguay Round Agreement on Agriculture mentions food security as a legitimate "nontrade" concern of agricultural policy, but the agreement



focused exclusively on liberalizing trade in agricultural products.

WTO members have constantly been confirming their commitment to the objective of sustainable development. They all are convinced that the aims of upholding and safeguarding an open and non-discriminatory multilateral trading system and acting for the protection of the environment and the promotion of sustainable development can and must be mutually supportive. (Anil-2004). S&DT related to rural development and food security was also specifically identified as an objective of the agriculture negotiations in the Doha Declaration.

There are three dimensions – ecological security; livelihood security and food security are essential elements of an agriculture policy which is sustainable and equitable. Sustainable agriculture is based on sustainable use of natural resources – land, water and agricultural biodiversity (including plants and animals). The current globalization processes of agriculture through WTO threaten to undermine all three dimensions of agriculture policy. They are undermining ecological security by removing all limits on concentration of ownership of natural resources – land, water and biodiversity, and encouraging non-suitable resource exploitation for short – term profits. The WTO agreement on agriculture combined with TRIPS agreement implies total monopoly over agriculture by a handful on global corporations,

and total vulnerability of farmers to crop failure and indebtedness. (Chandra – 2004).

### Multilateral policies:

Government policy is only one influence on entitlements, and the subset described specifically as 'food security policies' represents only one part of the picture. It is, nonetheless, an important part. Entitlements identified can be promoted or protected by a wide range of government interventions. These include measures to promote food production, facilitate the operations of markets, enhance the availability and value of labour entitlements, and provide transfers and safety nets. In addition, enabling macro and sectoral policies will have an indirect effect on food security.

Multilateral trade negotiations may affect this pattern of government action in two ways :

- By introducing change to the policies (of both domestic and foreign governments) that impact directly on entitlements (for example, by altering the food prices paid by consumers or received by producers);
- By making more or less feasible some of the policies that are considered desirable to promote or protect entitlements.

The multilateral policy areas most likely to affect entitlement protection and promotion policies are those on:

- Tariffs (which could affect government revenue and in this way, impact on many policies);
- Domestic subsidies (which could alter the feasibility of policies related to production and transfer entitlements);
- Export subsidies (which could affect the feasibility of transfer and safety net policies).

In addition, multilateral rules on state trading enterprises and export regulation, as well as any new rules on process criteria, could have an impact.

### The Next Agricultural Round:

All of the main sources of food security entitlement could be affected by the next agricultural

trade Round, which may:

- Introduce change to the policies (of both domestic and foreign governments) that impact on the level of entitlements
- Make more or less feasible some of the policies that are considered desirable to promote or protect entitlements. Current expectations are that the next agricultural trade Round will cover three main areas – export subsidies, market access and domestic subsidies. All three have the potential to impinge upon food security either: Directly, by establishing new rules on food security policies currently in place or recommended in vulnerable developing countries, or indirectly, by altering absolute and relative agricultural prices which will, in turn, change entitlements.

These three areas have been listed in the order in which most change is anticipated. But in terms of the likely impact on food security, the priority order is different. It is domestic subsidies, tariffs and export subsidies.

### Conclusion

Addressing food security issues within the WTO – a setting that seeks to create new market access to opportunities, points to a growing consensus that international trade can enhance food security by increasing access to sources of food, providing an opportunity for India to reform its domestic agriculture subsidy scheme and by focusing on the goal of food security, India could take a leadership role in designing new trade disciplines in the WTO that takes advantage of imports and new market access opportunities for its agriculture sector in the developed world to increase its food security and the welfare of its farmers. Removing the need to defend its agriculture subsidies from WTO disciplines could also create space for India to take advantage of 21<sup>st</sup> century economic opportunities arising from international trade in areas such as services and information technology, where the future of India's economy.

*(The Author is Post Doctoral Fellow, UGC, New Delhi. Email:syndsuresh@yahoo.in)*